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SUBJECT: PROGRESS ON PRIVATE INVESTMENT IN WIND, SOLAR DESALINATION

REF: 09 DJIBOUTI 337; 09 DJIBOUTI 655

11. (SBU) This message contains business proprietary information.  
Please handle accordingly.

12. (SBU) SUMMARY. Maple Renewable Resources Corporation (MRRC) is working with the GODJ to develop an estimated USD 216 million worth of wind energy and solar desalination projects (ref A). While MRRC is not/not a U.S.-registered company, the planned projects will likely include significant U.S. components, with desalination technology to be provided by General Electric. MRRC is currently working with the African Development Bank (AfDB), the World Bank's International Finance Corporation (IFC), and private equity investors to secure project financing. The first planned project, a solar-powered water desalination plant, is slated to begin production in early 2010. In total, MRRC is projecting eventual production of up to 100,000 cubic meters of desalinated water per day and 200 MW of wind-generated electricity, although initial outputs will be much lower. Price and availability of energy and water remain central constraints to Djibouti's further economic growth, and the MRRC partnership highlights the GODJ's commitment to working with investors-including private investors-to develop the country's considerable renewable energy resources. END  
SUMMARY.

13. (SBU) Ambassador met October 12 with MRRC's Vice President and Chief Operating Officer Nick Shakesby. MRRC's Djibouti-registered affiliate, Maple Indian Ocean Resources (MIOR), signed agreements with the GODJ in March to begin development of an initial 40 MW wind farm at the bay of Ghoubet near Lac Assal, and a water desalination plant outside of Djibouti City. Both projects are joint ventures with the GODJ, which holds a 10 percent "carried" stake. MIOR signed a power purchase agreement (PPA) with the national electricity parastatal EDD (Electricity of Djibouti) and a water off-take agreement with the Djibouti National Water and Sanitation Office (ONEAD).

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PROJECT SCOPE  
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14. (SBU) MIOR is initially planning to install 40 MW of wind capacity at the Ghoubet site. This initial phase could include from 20-40 wind turbines, depending on the model chosen. Shakesby told Ambassador that General Electric was among the bidders to provide wind turbines. The French company Vergnet was another

bidder, Shakesby said, and offered turbines which could be lowered to the ground for maintenance, thus avoiding the need to bring a crane into the Ghoubet's difficult, volcanic terrain. The wind project would also require a 58 km transmission line from the Ghoubet to Djibouti's power grid.

15. (SBU) MIOR's planned desalination plant at the village of Doua, just outside of Djibouti City, is slated to begin with 12,000 cubic meters/day of water production. The plant will gradually escalate up to 52,000 cubic meters/day and add reverse osmosis technology, to be supplied by General Electric. The plant will require an estimated 8 MW of electricity, which will be provided through a combination of Concentrated Solar Power and conventional power. Sea water for production will be collected from wells dug on the beach rather than from a jetty, which will lower costs as sand provides an initial natural filtration. The Doua site is located near Djibouti's only dump, and in the future, Shakesby said, MIOR is interested in waste management and utilization, although for the moment, Djibouti simply "does not produce enough trash."

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FINANCING  
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16. (SBU) MRRC is seeking financing, Shakesby told Ambassador, through a combination of multilateral institutions and private equity investors. Sixty percent of the project is to be debt-financed, with 40 percent equity. Shakesby said that MRRC is already in advanced discussions with the AfDB and the IFC, and has secured about USD 25 million in private equity, mostly through U.K.-based investors. The AfDB has pledged 60 million in credit, and wants the rest to be financed through a syndicate. While some MRRC materials listed total projected costs at USD 216 million, Shakesby told Ambassador that the total was likely to be between USD 237 and 240 million. MRRC will also seek either Multilateral Investment Guarantee Agency (MIGA) or International Development Association (IDA) guarantees. MRRC will also seek partnerships with commercial banks such as Standard Chartered or BNP Paribas, Shakesby said. Equity investors will be paid back during the first seven years of the project, and MIOR's off-take and PPA agreements with the GODJ reflect this sliding scale, with higher costs upfront. While MIOR is separate from MRRC, Shakesby told Ambassador, MRRC will have the option to purchase MIOR's projects if they become profitable. MRRC is registered in the British Virgin Islands.

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NEXT STEPS  
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17. (SBU) Shakesby told Ambassador that some hiccups with a local partner were on their way to being resolved. To receive multilateral financing, MIOR will need to change its structure to add a board of directors. As financing moves forward, investors will begin travelling to Djibouti to perform due diligence. Another six months of wind studies were required for the Ghoubet project, Shakesby said, although initial results indicated that Djibouti has the "best measured wind in the world" at 49 percent, meaning that wind turbines would be active nearly half an average day, much higher than the approximately 33 percent values that are typical for the industry. In addition, MIOR wanted to put more

people on the ground, and had recognized that frequent face-to-face communication with GODJ interlocutors was crucial for the success of the project.

18. (SBU) Shakesby said that MIOR also wanted to organize outreach events in schools and other venues to educate the Djiboutian public on the benefits of renewable energy. "Renewables are a long term investment," he said. While the electricity price MIOR could offer was very attractive when oil prices were high, as oil prices drop it might initially be less competitive. Shakesby also said that GODJ investments in efficient water and electricity distribution systems were key-MIOR would be interested in continuing to grow production, but could not do so if there were no adequate, efficient, and low-loss mechanisms to deliver water and power to consumers.

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COMMENT

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19. (SBU) Shakesby said that MRRC had initially arrived in Djibouti with ideas of building a luxury hotel, but quickly changed tracks when they recognized the unmet and growing demand for available and inexpensive water and power. GODJ officials and business leaders all agree that finding solutions to these two constraints is a top priority, and President Guelleh and his government have made clear

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that developing renewable sources will be central to the GODJ energy strategy. Post will continue to monitor this project as it develops, especially in light of possibly significant involvement of U.S. suppliers. END COMMENT.  
SWAN